

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2018/2019

PMA0064 – ESSENTIALS OF MANAGEMENT

ACCOUNTING

(Foundation in Management)

6 MARCH 2019

9.00AM – 11.00AM

(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **THREE** pages (excluding cover page) with **FOUR** questions.
2. Answer **ALL** questions.
3. Write your answers in the Answer Booklet provided.

Question 1

Loma manufactures two products: car wheels and truck wheels. The controller, Tony Masasi has developed the following information.

	Car	Truck
Estimated wheels produced	40,000	10,000
Direct labor hours per wheel	1	3

Total estimated overhead costs for the two product lines are RM840,000. Tony is not satisfied with the traditional method of allocating overhead because he believes that most of the overhead costs relate to the truck wheel product line because of its complexity. He therefore develops the following three activity cost pools and related cost drivers to better understand these costs.

Activity Cost Pools	Expected Use of Cost Drivers	Estimated Overhead Costs
Setting up machines	1,000 setups	RM260,000
Assembling	70,000 labor hours	280,000
Inspection	1,200 inspections	300,000

	Expected Use of Cost Drivers per Product	
	Car	Truck
Number of setups	200	800
Direct labor hours	40,000	30,000
Number of inspections	100	1,100

Required

- Determine the overhead rate for each activity. (9 marks)
- Assign the manufacturing overhead costs to the two product lines using activity-based costing. (16 marks)

(Total 25 marks)

Question 2

Javen Company builds custom fishing lures for sporting goods stores. In its first year of operations, 2018, the company incurred the following costs.

Variable Cost per Unit	
Direct materials	RM6.50
Direct labor	RM2.45
Variable manufacturing overhead	RM5.75
Variable selling and administrative expenses	RM3.90
Fixed Costs per Year	
Fixed manufacturing overhead	RM282,150
Fixed selling and administrative expenses	RM240,100

Continued...

Javen Company sells the fishing lures for RM25. During 2018, the company sold 80,000 lures and produced 95,000 lures.

Required

- a) Compute the product cost per unit by using variable and absorption costing method. (9 marks)
- b) Prepare Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018 using absorption costing. (8 marks)
- c) Prepare Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018 using variable costing. (8 marks)

(Total 25 marks)

Question 3

Part A

Kiddies has been manufacturing its own shades for its table lamps. The company is currently operating at 100% of capacity. Variable manufacturing overhead is charged to production at the rate of 50% of direct labor cost. The direct materials and direct labor cost per unit to make the lamp shades are RM4 and RM6 respectively. Normal production is 60,000 table lamps per year. A supplier offers to make the lamp shades at a price of RM13.50 per unit. If Kiddies accepts the supplier's offer, all variable manufacturing costs will be eliminated, but the RM50,000 of fixed manufacturing overhead currently being charged to the lamp shades will have to be absorbed by other products.

Required

Prepare the incremental analysis to decide whether to make or buy the lamp shades. (10 marks)

Part B

In the month of March, Milan Spa services 550 clients at an average price of RM120 per client. During the month, fixed costs were RM22,800 and variable costs were 60% of sales.

Required

Using the contribution margin approach, compute the following:

- i) Total contribution margin (3 marks)
- ii) Contribution margin per unit (3 marks)
- iii) Contribution margin ratio (3 marks)
- iv) Breakeven sales in units (3 marks)
- v) Breakeven in sales value (3 marks)

(Total 25 marks)

Continued...

Question 4

Bravo Industries has adopted the following production budget for the first 4 months of 2019.

Month	Units produced
January	10,000
February	8,000
March	5,000
April	4,000

Each unit requires 4 pounds of raw materials costing RM2 per pound. On 31 December 2018, the ending raw materials inventory was 10,000 pounds. Management wants to have a raw materials inventory at the end of the month equal to 25% of next month's production requirements.

Required

Prepare the direct materials purchases budget for the first quarter of 2019.

(Total 25 marks)

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